



House of Commons  
Committee of Public Accounts

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**COVID-19 cost tracker  
update**

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**Thirty-Eighth Report of Session  
2021–22**

*Report, together with formal minutes relating  
to the report*

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## The Committee of Public Accounts

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## Summary

Government's response to the pandemic has exposed the taxpayer to substantial financial risks from fraud and error. Government estimates that losses due to fraud and error from the Coronavirus Job Retention Scheme alone will be £5.3 billion. The estimated loss due to fraud and error across all COVID-19 response measures is not known but is expected to be at least £15 billion across measures implemented by HM Revenue & Customs, the Department for Work & Pensions and the Department for Business, Energy & Industrial Strategy. The total cost across government remains uncertain and could be higher, because of the long loan repayment terms. For example, loans to businesses under the Bounce Back Loan Scheme (BBS) last up to 10 years and the typical loan period under the Cultural Recovery Fund is 20 years.

The National Audit Office COVID-19 cost tracker has increased transparency regarding the cost of the government's response to the pandemic. The September 2021 update reports that government has spent £261 billion on 374 measures in response to the pandemic. The measures are expected to cost a total of £370 billion over their lifetime.

As we have repeatedly highlighted, as the UK recovers from the pandemic it is more vital than ever that government maintains accountability for public money and transparency over what is being spent. HM Treasury plans to review and update the costs associated with the COVID-19 loan schemes and some public service measures where these can be reliably attributed to COVID-19 but has not committed to continuing to update all the data currently captured in the cost tracker. We are concerned by the extent of costs that may be excluded by this method and that HM Treasury does not currently plan to distinguish the cost of COVID-19 from departments' business-as-usual spending in future. Both of these hinder the opportunity for Parliament and the public to scrutinise the ongoing cost of the pandemic. In addition, while loans such as those provided under the Cultural Recovery Fund, and any liabilities associated with loans, such as the estimated cost of writing off some of the BBS loans, will be recorded in the accounts of the relevant Departments there is a benefit to seeing the ongoing estimated cost of COVID-19 to the taxpayer in one place. Not only is it vital to be transparent with the taxpayer, it will also be helpful to government in planning for future risks which may require similar interventions.

HM Treasury needs to ensure that departments identify the lessons from the COVID-19 response and that these are put into practice. The cost tracker has shown how information on the actions taken across the whole of government and their estimated costs can be identified and presented in one place, enabling the full picture to be understood. This will be vital in helping government prepare for future fast-paced crises and large cross-government programmes and enabling government to make well-informed and rapid financial decisions.

## Introduction

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Shortly after the World Health Organisation declared COVID-19 to be a pandemic on 11 March 2020, government began announcing a series of measures to support public services, workers and businesses. To make decisions and disburse funding more quickly, government relaxed the usual rules over the management of public money and took on significant financial risks which will have implications for future spending decisions. The National Audit Office (NAO) has been collecting and publishing information on the government's COVID-19 response measures on the NAO website in its COVID-19 cost tracker (the cost tracker). The first iteration of the cost tracker was published in September 2020. The NAO updated the cost tracker in January 2021, May 2021 and, most recently, in September 2021. In May 2021, we took evidence on the cost tracker and subsequently published our report *COVID 19 Cost Tracker Update*, making eight recommendations to government about: the importance of continuing to capture the costs of the pandemic; how an approach similar to that taken by the NAO for the cost-tracker could apply to other large cross-government programmes; and learning lessons from the pandemic.

The cost tracker presents the measures implemented by government in response to the COVID-19 pandemic, the estimated lifetime cost of these measures, and how much has been spent to date. The cost tracker also captures the total value of loans government expects to guarantee or issue, the value of loans guaranteed or issued by government so far and the total amount government estimates that it will lose as a result of loans that it does not expect will be repaid (write-offs). In September 2021, the cost tracker showed that the total cost of government's measures was estimated to be £370 billion, of which £261 billion was reported as having been spent. The total value of loans guaranteed or issued by government so far was estimated to be £129 billion, and the total amount of money associated with these loan schemes that is expected to be written-off was estimated at £21 billion.

## Conclusions and recommendations

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1. **The COVID-19 cost tracker has increased transparency and helped hold government to account for its funding commitments and spending to date.** In September 2021, the NAO published the fourth iteration of the COVID-19 cost tracker, setting out the cumulative costs of government's response to COVID-19. Throughout the pandemic, the cost tracker has demonstrated the importance and value of capturing and sharing timely data on government's actions and costs. We have used the information provided in the cost tracker to inform our work looking at departments' responses to COVID-19 and to hold them to account for their performance during the pandemic. The format of a single, comprehensive and updateable dataset covering all cross-government spending relating to a single theme has been a useful tool for monitoring the spending of taxpayers' money. It is essential that the strengths of the cost tracker's format are replicated in future government reporting. We previously recommended that government consider using a similar technique to monitor other areas of thematic spend, such as Net Zero. While HM Treasury recognises the helpful role the NAO's cost tracker has played in improving the transparency of the cost of COVID-19 and its role as the definitive source of information on the associated costs, it has not outlined how it will use the cost tracker model to inform its approach to monitoring and reporting on costs in future.

**Recommendation:** *As part of its Treasury Minute response, HM Treasury should explain how the strengths it identified from the cost tracker approach, including transparency and accessibility, can be applied to the presentation of other thematic areas of public spending.*

2. **We are concerned that HM Treasury does not intend to adequately monitor and update the ongoing cost of COVID-19 to the taxpayer.** Monitoring the forecast costs and actual spend related to COVID-19 is crucial for Parliamentary scrutiny and for holding departments to account for their use of taxpayers' money. The cost-tracker has enabled Parliament and the public to have full visibility over what government has spent and committed to spend in response to the pandemic and the financial risks to the public purse. Government estimates that it will lose £21 billion as a result of loans that it does not expect will be repaid. HM Treasury will know more about how much will be lost in connection to these loan schemes over time as more repayment data is received. HM Treasury has committed to conduct a routine review of material changes to the estimated costs, including updating the costs associated with the COVID-19 loan schemes and some public services measures, where these can be reliably attributed to COVID-19. However, it has not specified which elements of government's response to the pandemic will be included in these updates, what will constitute material changes to estimated costs, or how the costs of those elements which are excluded will continue to be monitored and Departments held to account for spending taxpayers' money. From 2022–23 onwards, funding to tackle issues arising from COVID-19 will not be ring-fenced. Some of the costs currently included in the cost tracker will form part of departments' ongoing activities.

**Recommendation:** *As part of its Treasury Minute response, HM Treasury should explain how, when, and which subsets of the data captured by the NAO in the COVID-19 cost tracker it will continue to update. This should also address how loan book commitments, including those made under the Culture Recovery Fund, and any associated liabilities, such as estimated write-off costs under the Bounce Back Loans Scheme, will be monitored.*

3. **HM Treasury does not yet know how much money has been lost to fraud and error across government's response to COVID-19.** Our previous work on government's response to COVID-19 has revealed that the risk of fraud and error to public finances has risen substantially during the pandemic. As a result, government is likely to be exposed to significant financial risk. Some of the larger COVID-19 measures are likely to lose large sums of taxpayers' money to fraud and error. For example, the Coronavirus Job Retention Scheme is estimated to lose £5.3 billion to fraud and error – equating to 8.7% of the funding distributed through the scheme. HM Treasury asserts that it has increased its investment in the detection and recovery of fraud and expects this to have a significant return. However, HM Treasury is not able to put a figure to the expected return on investment or the amount of fraud and error across the breadth of government's response to COVID-19. Given that the increased risk of fraud and error could cost the taxpayer billions of pounds, it is crucial that HM Treasury can identify, estimate the volume of, and attempt to recover, funding that was distributed in error or through fraudulent claims.

**Recommendation:** *HM Treasury should write to the committee by the end of the financial year with its estimate of:*

- *how much taxpayers' money has been lost to fraud and error within schemes introduced in response to the pandemic; and*
- *how much it expects will be recovered for each pound it spends doing so.*

4. **HM Treasury has not set out what lessons it has learnt from the government's response to COVID-19 and how it will apply these in future.** The pandemic required government to respond rapidly to emerging issues across all areas of society. It is essential that government learns from its response to the pandemic and identifies what it should do to ensure that those lessons are applied, both to improve its ability to respond to emergencies, and to improve its business-as-usual service delivery. Departments cannot wait until the public inquiry, which may take some years to complete, to learn the lessons from government's handling of the pandemic. HM Treasury agreed that it is now an appropriate time to undertake a lessons learned exercise covering the whole of government's initial response to the pandemic. The sooner this exercise takes place, the quicker departments can embed the lessons they have learned in their practices and guidance.

**Recommendation:** *HM Treasury should write to the committee by the end of the financial year setting out:*

- *what it has learned from the government's response to the COVID-19 pandemic; and*
- *what action it is taking to identify and collate learning from across government departments.*

# 1 The cost of the pandemic to the taxpayer

1. Based on the fourth iteration of the COVID-19 cost tracker (the cost tracker) published by the Comptroller and Auditor General in September 2021, we took evidence from HM Treasury about the costs of government's response to the COVID-19 pandemic.<sup>1</sup> In May 2021, we took evidence from HM Treasury on the third iteration of the cost tracker (published by the Comptroller and Auditor General in May 2021) as part of our series of inquiries into the pandemic.<sup>2</sup>

2. COVID-19 was declared a pandemic on 11 March 2020, shortly thereafter government began to announce a series of measures to support public services, workers and businesses. Since then, the National Audit Office (NAO) has collected information on the government's measures that address COVID-19 and its effects. In its initial report *Overview of the UK government's response to the COVID-19 pandemic*, the NAO estimated that the total cost of government's measures was £124 billion at May 2020.<sup>3</sup> Subsequently, the NAO has collated and presented this information in a published database; the COVID-19 cost tracker, and updated it every four months. The cost tracker captures the range of government measures introduced in response to the pandemic, categorised by the lead department and nature of the measure. Where data are available, it presents the relevant department's estimate for the total cost of the measure, and how much has been spent on the measure to date. The cost tracker also captures the costs involved with the government's different loan schemes introduced to support business and other organisations during the pandemic. Some loans have been provided directly but the largest estimated cost is associated with government guarantees on loans provided to qualifying businesses by banks (for example the Bounce Back Loan Scheme provided by high street banks or the Covid Corporate Financing Facility run by the Bank of England). The table below shows the reported figures at each publication of the cost tracker.<sup>4</sup>

	Estimated lifetime cost of government's COVID-19 measures (£ billions)	Amount reported spent on government's COVID-19 measures (£billions)	Estimated total volume of loans expected to be guaranteed or issued by government (£billions)	Volume of loans reported guaranteed or issued by government (£ billions)	Estimated cost that the government will be required to fund either through reimbursing banks due to loan guarantee mechanisms or direct defaults on the government's loans (£ billions)
September 2020	210	70	-	-	17
January 2021	271	116	94	89	31
May 2021	372	172	100	92	26
September 2021	370	261	134	129	21

1 The COVID-19 cost tracker, available at: [COVID-19 cost tracker - National Audit Office \(NAO\)](#)

2 Committee of Public Accounts, [COVID 19: Cost Tracker Update](#), Twelfth Report of Session 2021–22, HC 173, 25 July 2021

3 C&AG's Report, *Overview of the UK government's response to the COVID-19 pandemic*, Session 2019–21, HC 366, 21 May 2020

4 The COVID-19 cost tracker, available at: [COVID-19 cost tracker - National Audit Office \(NAO\)](#)

3. According to the latest update of the cost tracker, in September 2021 government estimated that its measures addressing the COVID-19 pandemic will cost £370 billion, £2 billion less than the £372 billion estimate published in the cost tracker's May 2021 update. Of the £370 billion estimated cost, government has spent £261 billion, an increase of £89 billion since the cost tracker's previous update. The cost tracker also captures the total value of loans guaranteed or issued by government, the total amount government estimates that it will lose because of loans that it does not expect will be repaid (write-offs), and how much money it has written-off because of these loan schemes so far. In the September 2020 cost tracker, the estimated total volume of loans expected to be guaranteed or issued by government and the volume of loans reported to be guaranteed or issued by government was not captured.<sup>5</sup>

### Transparency and accountability

4. We previously examined the cost tracker and government's spending in response to the pandemic in May 2021. In our report in July 2021, we concluded that the cost tracker showed the importance and value of capturing, sharing and presenting timely data on government's actions and costs during a crisis. We noted that HM Treasury had acknowledged how valuable the cost tracker was in documenting and understanding government's costs in responding to the pandemic. We recommended that HM Treasury write to us to explain how it will monitor the cost of other large cross-government programmes that would benefit from an approach similar to the cost tracker, such as the drive to achieve net-zero greenhouse emissions.<sup>6</sup> In its response, HM Treasury accepted our recommendation and committed to writing to us by the end of the year detailing the structures it uses to monitor the costs of other large cross-government programmes.<sup>7</sup> The Department wrote to us in December 2021, and told us that it was committed to transparency in public expenditure, and that it published a "wide range of data covering spending already incurred and plans for future spending". These included: Public Expenditure Statistical Analysis; thematic funding data reported in the Budget and Spending review documents, for example those on net-zero and COVID-19 funding included in 2021; the Government Major Projects Portfolio; Departments' Annual Reports & Accounts; and Other publications such as the National Infrastructure and Construction Pipeline. However, it did not outline how it planned to integrate the positive attributes of the cost tracker to further increase transparency and accountability around other large areas of spending.<sup>8</sup>

5. In our evidence session on 17th November 2021, we observed that the cost tracker had supported Parliamentary scrutiny of departments and enabled us to hold government to account.<sup>9</sup> We have found the model used in the cost tracker very useful, and it has helped in the ongoing exercise of monitoring COVID-19 spending.<sup>10</sup> We asked HM Treasury whether it planned to use a similar model to the cost tracker in future to track other areas of spending. HM Treasury told us that it was still looking at whether it would

5 The COVID-19 cost tracker, available at: [COVID-19 cost tracker - National Audit Office \(NAO\)](#)

6 Committee of Public Accounts, *COVID-19 Cost Tracker Update*, Twelfth Report of Session 2021–22, HC173, 19 July 2021

7 HM Treasury, Government response to the Committee of Public Accounts on the Twelfth and Seventeenth to the Twenty-First Reports from Session 2021–22, CP 583, 9 December 2021

8 Letter from Tom Scholar, Permanent Secretary, HM Treasury, to Dame Meg Hillier MP, Monitoring the cost of cross-government programmes, 23 December 2021

9 Q 13

10 Qq 1, 56–58

use a model similar to the cost tracker to monitor other areas of thematic spend, such as the transition towards a net zero economy. HM Treasury said that the nature of the COVID-19 pandemic and its impact on the economy and public finances, meant that it was easier to identify the public spending implications of it than would be the case in other situations. For example, it told us that the banking crisis some 12 years ago was “also an enormous shock” and that it was difficult to attribute particular fiscal pressures to the banking crisis because it required disentangling lost tax revenue and additional public spending. It told us that most net zero related spending will also be designed to achieve other objectives, so it would be difficult to determine what is being spent on one objective or another. HM Treasury recognised, however, that it needed to work out the best way to ensure it was accountable and “give a clear sense of what is being spent on what, in a way that is meaningful and helpful”.<sup>11</sup>

### Monitoring the ongoing costs of COVID-19

6. We noted that the public inquiry into government’s handling of COVID-19 was due to start in the spring or summer of 2022, and that understanding how money was being spent was likely to be an important part of this inquiry. We therefore asked HM Treasury how it would ensure that this information was kept in good shape to allow for proper scrutiny and oversight about how government had handled the pandemic. HM Treasury explained that there were three elements to identifying the cost of COVID-19. The first is the direct public expenditure during the pandemic, which was captured by the cost tracker. Secondly, there would be ongoing costs to public services in the future which would not have happened were it not for the pandemic, which it told us was “easy to measure today ... [but] gets harder to measure as time goes by”. It explained that the third element is the indirect cost due to the effect on the economy, jobs and businesses, and the effect of this on tax revenue, which it told us was much more difficult to answer.<sup>12</sup>

7. HM Treasury told us that, during the pandemic, it had made some very significant sums of money available at short notice in conditions of great uncertainty. This funding was ring-fenced so that, if it was not needed for the intended purpose, it would not be spent on other things.<sup>13</sup> HM Treasury told us that there will not be separate ring-fenced COVID-19 expenditure for 2022–23 onwards. It suggested that bringing the tracker to a close at the end of 2021–22 was “probably the right thing to do” given the difficulties in distinguishing expenditure from this point.<sup>14</sup> We therefore asked what its approach would be to programmes such as NHS Test and Trace and the vaccines programme, which would still be in place after 2021/22 and were clearly COVID-19-related costs. HM Treasury told us that while some ongoing costs, such as NHS Test and Trace and the vaccines programme, could reasonably be separately identified, it was increasingly difficult to distinguish costs due to COVID-19 from routine business costs.<sup>15</sup> It gave the example of the backlog of cases within the criminal courts where HM Treasury asserted that the source of the backlog did not matter, what mattered was dealing with the backlog and that it had not ring-fenced any money specifically for COVID-19-related backlogs. It

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11 Qq 56–58

12 Q 19

13 Q 18

14 Q 9

15 Qq 8, 10

told us that this approach would provide departments with greater flexibility to deal with the circumstances they faced.<sup>16</sup> HM Treasury said that it would keep the departmental allocations under review and respond to changes in the pandemic.<sup>17</sup>

8. HM Treasury told us that one element of the cost tracker it would definitely continue to monitor and report on was the cost of the various loan and grant schemes where the true cost will only be known over time.<sup>18</sup> Government has guaranteed or issued loans worth a total of £129 billion during the pandemic. This comprises of loans issued through business support schemes such as the Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme, the Bounce Back Loan Scheme, the Future Fund and the Covid Corporate Financing Facility.<sup>19</sup> The September 2021 cost tracker reported that the government expected to lose £21 billion as a result of some loans issued or guaranteed by government not being repaid (write-offs).<sup>20</sup> The Office for Budget Responsibility (OBR) produces estimates of write-offs that the government will be required to fund if loans it issued or guaranteed are not repaid. In October 2021, the OBR revised its estimate of the cost of write-offs for the 2020–21 financial year down to £21 billion from £26 billion in March 2021. This is partly because the economy is recovering better than expected but also due to some early repayment data.<sup>21</sup>

Scheme	Estimated total volume of loans expected to be guaranteed or issued by government (£ millions)	Volume of loans reported guaranteed or issued by government (£ million)	Expected cost of write-offs (£ millions)
Bounce Back Loan Scheme	47,360	47,360	18,373
Coronavirus Business Interruption Loan Scheme	26,390	26,390	2,198
Coronavirus Large Business Interruption Loan Scheme	5,560	5,560	357
Future Fund	1,137	1,137	75
Recovery Loan Scheme	1,600	428	164
<b>Total</b>	<b>82,047</b>	<b>80,875</b>	<b>21,167</b>

9. Across government's response to COVID-19, there are also other substantial loan books that have no estimated write-offs as at the September 2021 update to the cost tracker, but which government will have to manage until the loans are repaid. For example, as at the September 2021 update to the cost tracker, Arts Council England was responsible for £252 million of loans issued through the Culture Recovery Fund.<sup>22</sup> We examined the Culture Recovery Fund in June 2021 and concluded that, as the largest ever single investment in the arts and culture sector, and with a typical 20-year term, these will require skilled oversight and careful management for years to come. We were concerned about the Department's and Arts Council England's ability to manage the significant

16 Q 18

17 Q 11

18 Qq 19, 21; Letter from Tom Scholar, Permanent Secretary, HM Treasury, to Dame Meg Hillier MP, Monitoring the cost of cross-government programmes, 23 December 2021

19 The COVID-19 cost tracker, available at: [COVID-19 cost tracker - National Audit Office \(NAO\)](#)

20 Q 37

21 Office for Budget Responsibility, Economic and fiscal outlook – October 2021

22 The COVID-19 cost tracker, available at: [COVID-19 cost tracker - National Audit Office \(NAO\)](#)

and ongoing loan book commitments created by the Fund and recommended that the Department made sure it had the resources in place to take on the new responsibility for managing the loans.<sup>23</sup>

10. In its letter to us after our evidence session, HM Treasury recognised the helpful role that the NAO cost tracker has played in improving transparency on the cost of COVID-19, as well as its role as the definitive source of information on the public expenditure costs of the pandemic. It told us that it would conduct “a routine review of material changes to the estimated costs of these measures and provide public updates”. It confirmed that this would include updates to the estimated lifetime costs of loans and updated costs for some public services measures “where these can be reliably attributed to COVID-19”. It did not comment, however, on which measures this would include, what would constitute material changes to estimated costs, or what approach it would take to monitoring the costs of those measures that were not included in the updates.<sup>24</sup>

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23 Committee of Public Accounts, *COVID 19: Culture Recovery Fund*, Eighth Report of Session 2021–22, HC340, 23 June 2021

24 Letter from Tom Scholar, Permanent Secretary, HM Treasury, to Dame Meg Hillier MP, Monitoring the cost of cross-government programmes, 23 December 2021

## 2 Fraud and error within pandemic spending

11. We examined fraud and error across government in 2021. We found that government had introduced many vital support schemes in response to the pandemic, but that these had substantially increased the risk of fraud and error to public finances and the taxpayer was expected to lose billions of pounds as a result. Between April 2020 and March 2021, fraud within Universal Credit rose to an all-time high of 14.5%. At the time of our previous evidence session, BEIS estimated that between 35% and 60% of loans issued through the Bounce Back Loan Scheme may not be repaid.<sup>25</sup> HM Revenue & Customs (HMRC), the Department for Work & Pensions (DWP), and the Department for Business, Energy & Industrial Strategy (BEIS) are responsible for some of the schemes we identified as having the highest risk of fraud and error. Since our report in June 2021, all three departments have published their annual report and accounts for 2020–21, which provide an updated position on the estimated fraud against some of the largest COVID-19 measures. These show that at the end of March 2021, these three departments expected to lose £15.7 billion as a result of fraud and error within COVID-19 support schemes, with their estimated total losses ranging between £12.4 billion and £20.1 billion.<sup>26</sup>

Department and scheme	Estimated loss from COVID-19 support schemes		
	Lower estimate (£ millions)	Central estimate (£ millions)	Upper estimate (£ millions)
Department for Work & Pensions & Universal Credit		3,850	
HM Revenue & Customs & Coronavirus Job Retention Scheme	4,065	5,279	7,281
HM Revenue & Customs & Self-Employment Income Support Scheme	355	493	631
HM Revenue & Customs & Eat Out to Help Out	43	71	99
Business, Energy & Industrial Strategy & Bounce Back Loan Scheme	3,615	4,944	6,725
Business, Energy & Industrial Strategy & Local Authority Grant Scheme (figures do not include all local authority grant schemes)	514	1,038	1,562
<b>Total</b>	<b>12,442</b>	<b>15,675</b>	<b>20,148</b>

12. We asked HM Treasury what its current assessment of fraud and error across government was, given the availability of the new data. HM Treasury told us that its upfront estimates on losses due to fraud and error were broadly in line with HMRC's most

25 Committee of Public Accounts, *Fraud and Error*, Ninth Report of Session 2021–22, HC253, 24 June 2021

26 HM Revenue & Customs, *Annual Report & Accounts 2020–21*, 4 November 2021 [HMRC Annual Report and Accounts 2020 to 2021 \(Web\) \(publishing.service.gov.uk\)](#); Department for Work & Pensions, *Annual Report & Accounts 2020–21*, 15 July 2021 [HC 422 – Department for Work and Pensions – Annual Report and Accounts 2020–21 \(publishing.service.gov.uk\)](#); Department for Business, Energy & Industrial Strategy, *Annual Report & Accounts 2020–21*, 25 November 2021 [BEIS Annual report and accounts 2020–21 \(publishing.service.gov.uk\)](#)

likely scenario in its annual report and accounts for three of its measures: the Coronavirus Job Retention Scheme (CJRS), the Self-Employment Income Support Scheme (SEISS) and Eat Out to Help Out (EOHO). It explained that this had helped HM Treasury validate its methodology for estimating fraud. For example, it had initially estimated that fraud within CJRS and EOHO would be between 5% and 10%. It told us that the most likely estimated of fraud within the schemes were 8.7% and 8.5% respectively. It similarly told us that this had allowed it to target funding in a more effective way when investing in counter-fraud activities.<sup>27</sup>

13. In our report in June 2021, we recommended that HM Treasury and the Cabinet Office set out how they would ensure that departments implemented a zero-tolerance approach to fraud and error following the pandemic and ensure taxpayers' money was recovered.<sup>28</sup> We therefore asked HM Treasury what it was doing to recover money which had been paid due to fraud or error. HM Treasury told us that it had “put a lot more of [its] investment in the detection and recovery side of [its] fraud activities”.<sup>29</sup> It explained that as a result of recent investment, HM Revenue & Customs had over 1,200 people dedicated to collecting this money. It explained that it expected this investment to have a “significant return” but admitted that, although it was monitoring this regularly, it did not yet have a good enough sense of “what that would actually mean in pounds and pence”.<sup>30</sup> It confirmed, however, that it would not write-off this money until it had “pursued every single opportunity to recover it”.<sup>31</sup>

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27 Q 30

28 Committee of Public Accounts, *Fraud and Error*, Ninth Report of Session 2021–22, HC253, 24 June 2021

29 Q 31

30 Q 31

31 Q 32

### 3 Learning lessons from government's response to COVID-19

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14. The COVID-19 pandemic placed increased pressure on government departments to respond to a crisis while continuing to provide their business-as-usual services. The Comptroller and Auditor General told us that the NAO had now, for the most part, completed its examination of the initial schemes that were implemented at pace in response to the acute phase of the pandemic. He explained that in relation to the pandemic, the NAO was now examining longer-term issues such as the impact of backlogs in many public services and the recovery of fraudulent payments. He noted, however, that lessons can be drawn from these initial schemes, particularly regarding the trade-off between the need to act at speed, and control of public money and value for money.<sup>32</sup>

15. As part of our previous examination of the cost tracker in May 2021, we concluded that government's ability to achieve value for money was compromised during the pandemic by poor quality impact assessments and Accounting Officer assessments.<sup>33</sup> To address this, we recommended that HM Treasury should review major COVID-related spending decisions to identify cases where decisions made had resulted in poor value for money. We recommended that it should report its findings to us by the end of 2021, and use the lessons learnt to produce guidance to minimise the risk of this happening in future.<sup>34</sup> HM Treasury shared a copy of its response to our recommendations with us ahead of our evidence session. In its response, HM Treasury disagreed with our recommendation. While HM Treasury agreed that lessons learnt from the pandemic should inform its future approach to similar situations, it asserted that maintaining a proper distinction of roles between Accounting Officers, HM Treasury and the NAO was the best way to do this.<sup>35</sup>

16. We therefore asked HM Treasury what it was doing to identify and address some of the issues raised by our and the NAO's work examining the response to the pandemic, for example around the trade-offs between acting at speed and ensuring value-for-money.<sup>36</sup> HM Treasury said that, although it had disagreed with our recommendation, it agreed that it should review major COVID-related spending decisions and "consider very carefully value for money".<sup>37</sup> It told us that it did not intend to carry out a full formal audit of all COVID-related expenditure and then reach a value-for-money judgement on all programmes. However, when we asked whether there was a process for assessing previous spending decisions and learning from them, it told us that ahead of new funding decisions, for example on NHS Test and Trace and the vaccines programme, it reviewed and learned lessons from departments' previous spending.<sup>38</sup>

17. We examined the initial lessons that can be learned from government's response to the pandemic in June 2021 based on 20 evidence sessions on various aspects of the government's response. In our report, we set out our views on what government can

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32 Q 5

33 Committee of Public Accounts, *Fraud and Error*, Ninth Report of Session 2021–22, HC253, 24 June 2021

34 Committee of Public Accounts, Twelfth Report of Session 2021–22, *COVID-19 Cost Tracker Update*, HC173, 19 July 2021

35 Q 2; HM Treasury, Government response to the Committee of Public Accounts on the Twelfth and Seventeenth to the Twenty-First Reports from Session 2021–22, CP 583, 9 December 2021

36 Q 2

37 Q 2

38 Q 40

learn from its response to the pandemic, what it should do to ensure that those lessons are applied, and what it should do to improve both its ability to respond to emergencies and its business-as-usual service delivery. We noted that the future public inquiry into the government's handling of the pandemic could take some years to complete, and that government could not wait for the review before learning important lessons.<sup>39</sup>

18. HM Treasury informed us that it had conducted a lessons learned exercise with Accounting Officers and it planned to update *Managing Public Money* in December 2021. It also told us that it had commissioned a Government Internal Audit Agency review of COVID-19 schemes.<sup>40</sup> It explained that, six months into each financial year, it commissioned departments' assessments of their forecasting so that it can monitor and evaluate forecasting across government.<sup>41</sup> HM Treasury told us that COVID-19 had affected departments' abilities to forecast accurately and that it was seeking to address the aspects of departments' forecasting that need improving by providing forecasting standards and a forecasting toolkit to departments.<sup>42</sup> It explained that it was already pulling together some lessons that could be learned from the government's response to COVID-19. HM Treasury recognised that it should clearly identify and report to Parliament the lessons it had learned from the pandemic, and that it was now an appropriate time to share with us the common themes that it had identified from lessons learned exercises.<sup>43</sup>

19. We asked HM Treasury what it was doing to ensure that, if emergency support such as business support schemes or loans were needed in future, those responsible would have the information they needed to act quickly, informed by lessons from the COVID-19 pandemic. HM Treasury explained that it was able to draw on lessons learned from the financial crisis of 2007–2009 when designing some of the COVID-19 schemes. In particular, HM Treasury said that it was useful to be able to draw on the design of measures used to address the effects of the financial crisis when it was designing the Covid Corporate Financing Facility, the Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme. In contrast, it explained that there was no relevant precedent that HM Treasury could use to help design the Bounce Back Loan Scheme. As a result, HM Treasury recognised that there was a huge amount that could be learned from that scheme. We stressed that these lessons should be recorded in such a way that their usefulness does not depend on current HM Treasury staff being available when the lessons need to be drawn upon.<sup>44</sup>

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39 Committee of Public Accounts, *Initial lessons from the government's response to the COVID-19 pandemic*, Thirteenth Report of Session 2021–22, HC 175, 25 July 2021

40 Q 5

41 Q 49

42 Qq 52, 54

43 Qq 2, 5

44 Q 42

## Formal minutes

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### Wednesday 2 February 2022

Members present:

Dame Meg Hillier, in the Chair

Dan Carden

Sir Geoffrey Clifton-Brown

Peter Grant

Sarah Olney

Kate Osamor

Nick Smith

### **COVID-19 cost tracker update**

Draft Report (*COVID-19 cost tracker update*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 19 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

*Resolved*, That the Report be the Thirty-eighth of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

### **Adjournment**

Adjourned till Monday 7 February at 3:30pm

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Wednesday 17 November 2021

**Sir Tom Scholar**, Permanent Secretary, HM Treasury; **Cat Little**, Director General Public Spending, HM Treasury; **Conrad Smewing**, Director Public Spending, HM Treasury

[Q1-58](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

CCT numbers are generated by the evidence processing system and so may not be complete.

- 1 Equifax ([CCT0002](#))
- 2 International Transport Workers Federation; and Unite the Union ([CCT0003](#))
- 3 Local Government Association (LGA) ([CCT0001](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the [publications page](#) of the Committee's website.

### Session 2021–22

Number	Title	Reference
1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	High Speed 2: Progress at Summer 2021	HC 329
18th	Government's delivery through arm's-length bodies	HC 181
19th	Protecting consumers from unsafe products	HC 180
20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633
26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635

<b>Number</b>	<b>Title</b>	<b>Reference</b>
28th	Efficiency in government	HC 636
29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
35th	The pharmacy early payment and salary advance schemes in the NHS	HC 745
36th	EU Exit: UK Border post transition	HC 746
37th	HMRC Performance in 2020–21	HC 641
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

### Session 2019–21

<b>Number</b>	<b>Title</b>	<b>Reference</b>
1st	Support for children with special educational needs and disabilities	HC 85
2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549

<b>Number</b>	<b>Title</b>	<b>Reference</b>
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority's management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges' financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938

<b>Number</b>	<b>Title</b>	<b>Reference</b>
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941